Seminar Agenda

• Overview of the Affordable Care Act (ACA)
• An Update on the Connecticut Health Insurance Marketplace
• Office of the Healthcare Advocate – Oversight of Navigators
• Effect of PPACA on Nonprofit Agencies – Small/Large
• Discussion of “Pay or Play” Guidelines for Agencies with more than 50 Full Time Employees
• Questions
Basic Introduction to PPACA
Basic Introduction to PPACA

• Individuals must have health insurance, if affordable, or pay a penalty

• Small employers are not required to offer health coverage or pay for coverage for their employees

• Larger employers (50 and more full-time equivalent employees) are not required to offer health coverage to their employees

• Some larger employers may face a penalty if they do not offer coverage, if any of their full time employees obtain government-subsidized individual insurance
Health Insurance Options Under ACA

Focus of Today's Discussion

Small Business Options
- Businesses with fewer than 25 employees (with some limitations) eligible for tax credits to offset cost of insurance
- Businesses with 50 or fewer employees new insurance purchasing options via Insurance Marketplaces (SHOP)

Individual/Family Subsidies via Individual Marketplaces
- Tax credits to help make individual insurance coverage more affordable under 400% FPL:
  - $45,960 for individuals
  - $78,120 for family of 3
- Reduced co-payments and out-of-pocket costs for those making less than 250% FPL:
  - $28,725 for individuals
  - $48,825 for a family of 3

Medicaid
- Expand Medicaid program to cover adults up to 133% federal poverty level (FPL)
  - Individuals: $15,281 a year or less
  - Family of 3: $25,975 a year or less
Key Affordable Care Act (ACA) Provisions

- No medical underwriting
- No denial of coverage due to a pre-existing condition
- Minimum medical loss ratio ("MLR") established
- No more than a 90 day waiting period for new hires
- Minimum coverage requirements (Essential Health Benefits)
- Extensive preventative services provided at no cost
- Elimination of industry and gender rating
- Qualified plans evaluated and given seal of approval
- Plans organized in metal tiers – bronze, silver, gold and platinum
State Insurance Marketplace
What is the Health Insurance Marketplace?

- New commercial insurance Marketplace where qualified employers and qualified individuals can shop for private health insurance plans.

  Enrollment starts October 1, 2013
  Coverage starts as soon as January 1, 2014

- All consumers will have more choice and selection in health plans; and consumers will have access to insurance affordability programs, if eligible.
Health Plans in the Marketplace

• Health plans will be standardized in 4 coverage tiers based on the percentage of the total allowed cost of benefits paid by a health plan on average:
  – Bronze: Plans cover 60% of the costs
  – Silver: Plans cover 70% of the costs
  – Gold: Plans cover 80% of the costs
  – Platinum: Plans cover 90% of the costs

• A Catastrophic plan will be offer for consumers under the age of 30
Status of Connecticut Marketplace

• **July, 2011**
  – Governor Malloy signs Public Act 11-53, the enabling legislation, which established the Connecticut Health Insurance Exchange

• **February 2012** – Standard Health Plans were initially considered

• **October 1 – 2013** – **Open Enrollment to begin** *(AHCT begins to function as a marketplace when open enrollment begins)*

• **January 1, 2014** Enrollees begin to receive care under their qualified health plan.
A “Snapshot” of Connecticut today

- 9.6% of State Residents are Uninsured
- 334,000 Individuals, Including 60,000 children
- 600,000 Medicaid enrollees, currently
- Medicaid Eligibility Expansion up to 138% of the Federal Poverty Level.
- Projected Medicaid Increase of 100,000 Enrollees
- Expect to Engage 80k-100K residents in state exchange in the first year
  » Majority newly eligible for subsidies
  » Approximately 10%-20% will be small business enrollees
Vision and Mission

• Vision:
  
  To increase the number of insured residents, improve health care quality, lower costs and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give best value.

• Mission:
  – Build awareness of the law (ACA) and Access Health CT.
  – Educate individuals and businesses how they can benefit from the AHCT
  – Reduce the number of the uninsured
  – Deliver an exceptional customer experience that is easy, simple and transparent
  – Foster long term favorability of AHCT
There will be numerous options to enter into this Marketplace (no “wrong door”)

• Individuals and small businesses can purchase their insurance through any method they feel comfortable with, such as

  • Brokers
  • In Person Assistors
  • Navigators
  • Call Center
  • Web Portal
Individuals
The Big Picture for Individuals

The Affordable Care Act (ACA) is a federal law that requires US citizens and legally documented US residents to have health insurance. The law goes into effect as of January 1, 2014.

American Citizens not covered under a government plan will have three options for health insurance in 2014:

1. Get coverage through their employer if available
2. Buy an individual plan through the marketplace (Purchaser may be eligible for subsidy)
3. Go uninsured (will pay penalty unless they qualify for an individual exemption)
Commercial Carriers offered in Individual Marketplace

- Anthem Blue Cross
- Connecticare
- HealthyCT
Subsidies for Individuals

For exchange plans only

To be eligible, individuals must:
Have incomes between 138% and 400% of federal poverty level (FPL)
Not have access to minimum essential coverage through their employer or have access to coverage, but it is not affordable

Premium credits –
for any level plan

Cost-sharing subsidies –
Silver Plan only

Income ranges for 133% to 400% FPL

Individual:
$14,856 to $44,680

Family of four:
$30,656 to $92,200
What is the Enrollment Process for the Individual Market Marketplace?

1. Consumer submits application to the Marketplace:
   - Online
   - Phone
   - Mail
   - In person

2. The Marketplace verifies and determines (or assesses) eligibility:
   - Determine eligibility for:
     - enrollment in a qualified health plan
     - tax credits and cost-sharing reductions
     - Medicaid or CHIP

3. Eligible Consumer enrolls in a qualified health plan or Medicaid/CHIP:
   - Online plan comparison tool available to inform health plan choice
   - Premium tax credit and cost-sharing reductions are sent to insurer (if eligible)
   - Enrollment in a qualified health plan or Medicaid/CHIP
When Can Individuals Enroll?

• First Open Enrollment
  – October 1, 2013 - March 31, 2014
  – Coverage starts January 1, 2014 for plan selections made by December 15, 2013

• Annual Open Enrollment (after first year)
  – October 15 - December 7
  – Coverage begins January 1 of the next year

• Consumers eligible for Medicaid and CHIP can enroll at anytime.
Federal Regulations on Consumer Assistance in State-Based Exchanges

• All Marketplaces **must** provide consumer assistance

• Outreach and Engagement Efforts
  
  – Information provided must be in plain language that is readily accessible, culturally and linguistically appropriate to consumers
  
  – Educate consumers about the Marketplace and about the available subsidies to encourage participation
Office of Healthcare Advocate
Access Health CT created a unique partnership with the Office of the Healthcare Advocate to help individuals access health insurance.

- Designed to provide support through linguistically and culturally appropriate community engagement initiatives and outreach programs.
- Trusted community-based organizations help consumers enroll in the health insurance plan that is best for their families.
Navigator and Assister Program

- Team of six Navigators and 300 Assisters
- Enroll Consumers in Medicaid or in a Qualified Health Plan and help them to be informed consumers for the future
- Partnerships with community organizations
- Bring the health coverage marketplace directly to people
Navigators/Assisters Roles

- Six Navigators provide support to the Assister organizations in their respective region:
  - Fairfield County;
  - Hartford County;
  - New London and Middlesex Counties;
  - Litchfield County
  - New Haven County; and
  - Tolland and Windham Counties.

- 300 Assisters from health departments, community organizations, nonprofits, faith-based institutions, and small businesses throughout the state.
  - Receive Federal grant to help their communities access health insurance
  - Individuals have completed background checks, 34 hours of training and received certification
  - Supervised by their organization and the Navigator in their region
  - Educate and empower consumers so they can make informed decisions and self-advocate
  - Assisters do not recommend health insurance plans
  - Engage community leaders and influencers to promote health in all forms
  - Use data and measurable outcomes to improve the system
Navigator and Assister Outreach Program
280 Trumbull Street, 15th Floor
Hartford, CT 06103
outreach.ahct@ct.gov
860-757-6800

Visit us Online
www.AccessHealthCT.com/OutreachPrograms
Small Employers
How Will the Marketplace Affect Small Businesses?

• Starting in 2014, a SHOP will be available in the State.

• Starting October 1, plans will be available for review and enrollment for coverage starting as soon as January 1, 2014.
  – Rolling monthly enrollments for employers after January 1

• Once a group is enrolled, its rate is guaranteed for 12 months.
How Will the Marketplace Impact Small Businesses? (cont’d.)

• To enroll, employer must:
  – Have its principal place of business or an employee worksite in a SHOP’s service area.
  – Have at least 1 eligible employee:
    o In most cases, spouses and children cannot
    o Sole proprietors without other employees may enroll through the individual market Marketplace.
SHOP = Small Business Health Options Program

• Currently, the following insurance carriers have said they will participate in the SHOP:
  – Anthem
  – Connecticare
  – HealthyCT
  – United Healthcare

• SHOP will have multiple health plan options, including bronze, silver, gold and platinum plans.

• Small Businesses Owners can decide to have their employees purchase vertically, horizontally or use a single choice.
The SHOP

- The SHOP will be administered by HealthPass.
- Small businesses will have consolidated billing.
- No Membership Fee will be charged to participate in the SHOP.
Employer Eligibility and Enrollment Process for SHOPs
Customer Support Services

1) An easy and simple web portal for small businesses and brokers to shop and compare for health insurance

2) Call center for eligibility, subsidy, selection, and enrollment assistance

3) Brokers still available for customer information and enrollment support
The SHOP continued

- Employers can decide how much to contribute toward premium costs.

- Employers can collect employee share of premiums through payroll deduction.

- Premium contributions can be made with **pre-tax dollars**.

- Tax Credits for Small Businesses and Nonprofits can **only** be obtained through the Connecticut Health Insurance Marketplace.
Qualifying for the Small Business Tax Credit

• **Contribution to health care coverage**
  – Do you cover at least 50% of the cost of health care coverage for your workers based on the single rate?

• **Firm size**
  – Do you have fewer than 25 Full Time Equivalents (FTEs)

• **Average annual wage**
  – Do you pay average annual wages below $50,000?

• **Both taxable (for-profit) and tax-exempt organizations qualify**
Calculating the Small Business Tax Credit

• **Firm Size (FTEs) = Total Full Time Employees + Total Annual Part Time Hours/2080**
  – Owners are excluded from FTE count and employer cannot receive tax credit for owner’s insurance
  – All employee hours counted and based on 40 hour week

• **Wages = Total Wages Paid/ FTEs**
  – Owner and family member wages are excluded from total wages

• **Maximum Small Business Tax Credit**
  – Up to 50% of a small business' premium costs in 2014 for two years
  – Up to 35% for tax-exempt employers (refundable via payroll tax) for two years
How to Determine Tax Credit (2014)

• Credit is reduced on a sliding scale

• Connecticut Health Insurance Marketplace will make a tax credit calculator available

• National Tax Credit Calculators are publicly available:
Small Business Tax Credit: Illustration

**Main Street Auto Mechanics**

<table>
<thead>
<tr>
<th>Input</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Time Employees: <strong>10</strong></td>
<td>FTEs = <strong>10</strong> + [10,400/2,080] = <strong>15</strong></td>
</tr>
<tr>
<td>Part Time Hours: <strong>10,400</strong></td>
<td>Wages = $450,000/15 = $30,000</td>
</tr>
<tr>
<td>Total Wages: $450,000</td>
<td>Percentage Credit = ?</td>
</tr>
<tr>
<td>Employer Premiums: $20,000</td>
<td>Tax Credit = ?</td>
</tr>
</tbody>
</table>
**Small Business Tax Credit : Illustration**

![Phase Out Table for 2014 Small Business Tax Credit](image)

### Phase Out Table for 2014 Small Business Tax Credit

<table>
<thead>
<tr>
<th>Firm size</th>
<th>Average wage</th>
<th>Up to $25,000</th>
<th>$30,000</th>
<th>$35,000</th>
<th>$40,000</th>
<th>$45,000</th>
<th>$50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 10</td>
<td>50%</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>47%</td>
<td>37%</td>
<td>27%</td>
<td>17%</td>
<td>7%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>43%</td>
<td>33%</td>
<td>23%</td>
<td>13%</td>
<td>3%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>37%</td>
<td>27%</td>
<td>17%</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>33%</td>
<td>23%</td>
<td>13%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>30%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>27%</td>
<td>17%</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>23%</td>
<td>13%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>17%</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>13%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

*Source: CRS analysis of PPACA (P.L. 111-148).*
Small Business Tax Credit: Illustration

<table>
<thead>
<tr>
<th>Input</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Time Employees: 10</td>
<td>FTEs = $10 + [10,400/2,080] = 15</td>
</tr>
<tr>
<td>Part Time Hours: 10,400</td>
<td>Wages = $450,000/15 = $30,000</td>
</tr>
<tr>
<td>Wages: $450,000</td>
<td>Percentage Credit = 23%</td>
</tr>
<tr>
<td>Employer Premiums = $20,000</td>
<td>Tax Credit = $20,000 * 23% = $4,600</td>
</tr>
</tbody>
</table>
Example of IRS form for Small Employers

IRS Form 8941

Credit for Small Employer Health Insurance Premiums

<table>
<thead>
<tr>
<th>Form 8941</th>
<th>CMB No. 15113-2189</th>
<th>2012</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Sending Agency</th>
<th>Internal Revenue Service</th>
</tr>
</thead>
</table>

Instructions:

1. Enter the number of individuals you employed during the tax year who are considered employees for purposes of this credit (see instructions).
2. Enter the employer identification number (EIN) used to report employment taxes for individuals included on line 1a (see instructions).
3. Enter the number of full-time equivalent employees you had for the tax year (see instructions). If you entered 25 or more, skip lines 4 through 11 and enter = on line 12.
4. Average annual wages paid for the tax year (see instructions). If you entered $50,000 or more, skip lines 4 through 11 and enter = on line 12.
5. Premiums you paid during the tax year for employees included on line 1a for health insurance coverage under a qualifying arrangement (see instructions).
6. Premiums you would have entered on line 4 if the total premium for each employee equaled the average premium for the small group market in which you offered health insurance coverage (see instructions).
7. Enter the smaller of line 4 or line 5.
8. Multiply line 6 by the applicable percentage:
   - Tax-exempt small employers, multiply line 6 by 25% (.25)
   - All other small employers, multiply line 6 by 35% (.35)
9. If line 2 is 19 or less, enter the amount from line 7. Otherwise, see instructions.
10. If line 3 is $25,000 or less, enter the amount from line 8. Otherwise, see instructions.
11. Enter the total amount of any state premium subsidies paid and any state tax credits available to you for premiums included on line 4 (see instructions).
12. Subtract line 10 from line 4. If zero or less, enter = on line 11.
13. Enter the smaller of line 9 or line 11.
14. If line 12 is zero, skip lines 13 and 14 and go to line 15. Otherwise, enter the number of employees included on line 1a for whom you paid premiums during the tax year for health insurance coverage under a qualifying arrangement (see instructions).
15. Enter the number of full-time equivalent employees you would have entered on line 2 if you only included employees included on line 13.
16. Credit for small employer health insurance premiums from partnerships, S corporations, cooperatives, estates, and trusts (see instructions).
17. Add lines 12 and 15. Cooperatives, estates, and trusts, go to line 17. Tax-exempt small employers, skip lines 17 and 18 and go to line 19. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, stop here and report this amount on Form 3800, line 4b.
18. Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions).
19. Cooperatives, estates, and trusts, subtract line 17 from line 16. Stop here and report this amount on Form 3800, line 4b.
20. Enter the amount you paid in 2012 for taxes considered payroll taxes for purposes of this credit (see instructions).
21. Tax-exempt small employers, enter the smaller of line 16 or line 19 here and on Form 990-T, line 44f.

For Paperwork Reduction Act Notice, see separate instructions.
Large Employers
What are the main coverage requirements for large employers in 2014?

• **Large employers** must offer coverage to their full-time employees and their dependents

• Coverage must be **affordable** and of a **minimum value**

• Employers subject to tax penalties if any employee receives tax credits for Marketplace coverage
Who is Subject to this Tax?

• Applicable Large Employers
  – 50 or more full-time equivalent employees in preceding year
    • Full-time = works more than 30 hours a week/130 each month
    • Equivalent employees = Non-full-timers hours/120 each month
    • Add # of full-timers to equivalent employees = # of FTEs
Tax on Employers “Not Offering” Coverage

• Applicable large employers will pay a tax for any month that:
  
  – The employer fails to offer at least 95% of its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage; and
  
  – At least one full-time EE has been certified as having received subsidized coverage through an Exchange

Tax is equal to $166.67 per month or $2,000 per year
Tax on “Offering Employers”

- An “applicable large employer” will pay a penalty tax for any month that:
  - The employer offers to at least 95% of its full-time (and their dependents) employees the opportunity in minimum essential coverage under an eligible employer-sponsored plan for that month; and
  - At least one full-time employee of the employer has been certified to have received subsidized coverage through an Exchange

- The tax is equal to $250 per employee receiving subsidized coverage through the exchange per month
“Offering employers”

- General Rule: If employer-sponsored coverage is available; you are NOT eligible to cost-sharing subsidy through exchange

- Exception to Rule: You will be eligible if employer-sponsored coverage is “unaffordable”

- Coverage will be “unaffordable” if: Employer’s plan share of costs is less than 60% OR

- Employees required contribution for lowest cost Employee-Only coverage is more than 9.5% of the household income (W-2 Safe Harbor allows employer to rely on W-2 reported compensation)
What are the Tax Penalties

**Penalty for no coverage - IRC §4980H(a)**
- If a large employer does not offer coverage to their full-time employees and their dependents, employers face a penalty of:
  - $2,000 x the total number of full-time employees (FTE) if at least one FTE is receiving a premium assistance tax credit

**Penalty for unaffordable coverage - IRC §4980H(b)**
- If a large employer offers coverage to their full-time employees and their dependents but the coverage is unaffordable to certain employees or does not provide minimum value, employers face a penalty of:
  - The lesser of $3,000 x the number of FTEs receiving a premium assistance tax credit or $2,000 x the total number of FTEs

To determine penalty employers may subtract the first 30 workers.
Notes on Play or Pay Tax

• Penalty tax is not deductible
• Transitional relief granted to plans that start on fiscal year basis rather than calendar year
• If a “dependent” of a full-time employee receives subsidized coverage through an exchange the tax is NOT triggered
• Full-time employees that are not “offered” coverage b/c they are in their 90 day waiting period do not count for penalty assessment
• Full-time employees (and their dependents) – means covering children up to age 26 – does not means covers spouse
Measurement Periods

- Ongoing employee, New Employee, Variable Hourly employee
- 3 to 12 month length
- Tracking the hours worked by these employees
- Determines whether they are “full-time” and thus qualify during tax calculation
Administrative Period

• Employer chooses 0 to 3 month period

• Total length of measurement and admin period cannot exceed 13 months

• Time during which employer averages hours worked by employees
Stability Period

• The longer of 6 months or the length of the measurement period

• During this timeframe, any employee that averaged 30 or more hours worked a week during measurement period is considered full-time, regardless of how many hours they are working in the actual timeframe
What are the key Large Employer Notices for measurement periods?

- IRS Notice 2012-17
- IRS Notice 2012-58
- IRS Notice 2012-59

- This guidance gives employers a lot of flexibility but it’s also very complex and hard to follow.

- Counting starts in 2013.
Some Final Points to Consider

• There are no penalties or employer responsibility requirements now, yet most employers offer coverage today.

• Penalties do not fully offset coverage costs in exchange.

• If employer increases salary to make up for lost benefits, employer FICA tax obligations will also increase; whereas employer-sponsored benefits are excluded from income.

• Employers who offer coverage rarely, if ever have a 100% take-up rate. However, employers who fail to offer coverage pay penalties for 100% of eligible workers.

• If employees choose to remain uninsured rather than seek coverage, increased absenteeism may result.
Questions
Contact Information

Demian Fontanella
General Counsel
(860) 331 - 2443
Email: Demian.fontanella@ct.gov

Office of the Healthcare Advocate
http://www.ct.gov/oha

Access Health CT Website : http://www.accesshealthct.com/